

# HOUSE BILL REPORT

## HB 2096

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### As Reported by House Committee On: Housing

**Title:** An act relating to providing incentives for the preservation of manufactured/mobile home communities.

**Brief Description:** Creating incentives to encourage the preservation of manufactured/mobile home communities.

**Sponsors:** Representatives B. Sullivan, P. Sullivan, Morrell, McCoy, Simpson and Ormsby.

#### **Brief History:**

##### **Committee Activity:**

Housing: 2/14/07, 2/19/07 [DPS].

#### **Brief Summary of Substitute Bill**

- Creates a business and occupation tax credit for financial institutions which provide financial assistance to organizations for the purpose of purchasing and preserving affordable housing manufactured/mobile home communities.

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### HOUSE COMMITTEE ON HOUSING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Miloscia, Chair; Springer, Vice Chair; Dunn, Ranking Minority Member; Kelley, McCune, Ormsby and Schindler.

**Staff:** Robyn Dupuis (786-7166).

#### **Background:**

##### **Manufactured/Mobile Home Communities**

Given increasing market demands for land in Washington, particularly in high growth areas, the state has noted a recent increase in the rate of manufactured/mobile home community closures. According to data provided by the Department of Community, Trade and Economic Development (DCTED), 16 manufactured/mobile home communities closed during calendar year 2006, the closure of which affected 715 households. Twenty communities are scheduled

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to close during calendar year 2007, which will affect 627 households. Approximately 1,000 existing parks are located in urban growth areas.

Given the known impending closures, the DCTED estimates that 1,342 households will need to relocate from closing parks in the coming year. There is a Mobile Home Relocation Reimbursement Program operated by the DCTED which provides relocation assistance of \$7,500 for a single-wide home and \$12,000 for a double-wide home. There are 213 households currently on the waiting list for relocation assistance with approved reimbursement receipts totaling \$1,807,574.

### **Business and Occupation Tax**

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. Different B&O rates are charged to different types of businesses. Financial institutions pay B&O tax at the 1.5 percent rate on their gross receipts which include interest, commissions earned, dividends earned, fees and carrying charges, charges for bookkeeping or data processing, and safety deposit box rentals.

Certain credits are permitted under the B&O tax statutes. The major B&O tax credits are: (1) rural area application for B&O tax credit on new employees; (2) high technology B&O tax credit; (3) small business B&O tax credit; (4) multiple activities tax credit; and (5) credits for overpayments of taxes. The B&O tax credits are claimed on the combined excise tax return remitted to the Department of Revenue (DOR) for the taxpayer's applicable reporting period. Existing B&O credits reduce tax liability on a dollar-for-dollar basis.

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### **Summary of Substitute Bill:**

#### **Business and Occupation Tax Credit for Financial Assistance to Manufactured/Mobile Home Communities**

A credit is created for use against the Business and Occupation (B&O) tax due for any financial institution which provides financial assistance, in the form of a below-market rate loan or the purchase of bonds issued by the Washington State Housing Finance Commission (HFC), for the purchase and preservation of an affordable housing manufactured/mobile home community. The tax credit will consist of 10 percent of the total financial assistance provided. The tax credit may only be claimed in the year following the year in which the financial assistance was provided and the credit was pre-approved by the HFC. Tax credits may be carried over for up to three subsequent years.

The HFC must pre-approve and approve final tax credit applications on a first-come basis. A limit of \$10 million is imposed as the maximum amount of tax credits allowed for this purpose in any year.

Financial institutions interested in receiving this tax credit must apply to the HFC for pre-approval before providing the financial assistance. Once receiving the pre-approval, the financial institution must provide the assistance by the end of that calendar year. Once the financial assistance has been made, the financial institution must seek certification from the HFC verifying the amount and terms of the financial assistance and verifying that the assistance was provided to an affordable housing manufactured/mobile home community. The HFC will alert the Department of Revenue of each certification granted. Tax credits must be claimed electronically.

**Substitute Bill Compared to Original Bill:**

The sections regarding changes to the Housing Trust Fund and which created a special program to provide Housing Trust Fund loans and grants for the purpose of manufactured/mobile home community preservation were removed. The section which created a state guarantee for bonds issued by the Housing Finance Commission for the purpose of manufactured/mobile home community preservation was removed. The responsibility to determine the definitions of "market rate" and "below market rate" is given solely to the Housing Finance Commission. The Housing Finance Commission has the sole responsibility of pre-approving financial institutions for tax credits and issuing certifications regarding the eligibility of financial institutions to obtain tax credits.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 20, 2007.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support of original bill) The Business and Occupation (B&O) tax credit is a great way to provide an incentive for the private sector to become involved in riskier lending and investing opportunities such as manufactured/mobile home communities typically present. Other states, such as Oregon, have similar tax incentive programs to encourage financial institutions to provide assistance to manufactured/mobile home community preservation efforts. Furthermore, it has been the experience in different parts of the country that once financial institutions get involved, they find that making loans to tenant groups for the purchase of parks can be a profitable and fairly safe venture. This bill really conveys to manufactured/mobile homeowners that the state is serious about finding ways to help preserve parks. The flexibility of resources and incentives the bill provides will be very helpful. This is an important step in helping to preserve affordable homeownership opportunities.

(In support with suggestions on original bill) The limit of 10 percent of the Housing Trust Fund dollars should not take into consideration monies that are restricted for special uses such as to serve specific populations, but instead should just be calculated against the monies

available in the general pool. The Housing Trust Fund operates well using its traditional twice a year grant and loan cycle and there is a concern about the consequences of creating a special expedited process for one type of project. The Housing Trust Fund should be increased by at least 10 percent.

(Opposed) None.

**Persons Testifying:** (In support of original bill) Kim Herman, Washington State Housing Finance Commission; Ishbel Dickens, Columbia Legal Services; Sandy Guinn, City of Bothell; and Ariana Cantu, Low Income Housing Institute.

(In support with suggestions on original bill) Lynn Davison, Common Ground and Washington Low Income Housing Alliance.

**Persons Signed In To Testify But Not Testifying:** None.